

SOUTHEASTERN LOUISIANA UNIVERSITY FOUNDATION

ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JAN 18 2012

PHIL HEBERT
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL ACCOUNTING CORPORATION

**Southeastern Louisiana University Foundation
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Phil Hebert, CPA

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MEMBER
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Independent Auditor's Report

To the Board of Directors
Southeastern Louisiana University Foundation
Hammond, Louisiana

I have audited the accompanying statement of financial position of Southeastern Louisiana University Foundation (the "Foundation"), a Louisiana nonprofit corporation, as of June 30, 2011 and the related statements of activities and cash flows for the year ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeastern Louisiana University Foundation as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

In accordance with *Government Auditing Standards*, I have also issued a report dated December 28, 2011 on my consideration of Southeastern Louisiana University Foundation's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Sincerely,

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation

December 28, 2011

Southeastern Louisiana University Foundation
Statement of Financial Position
June 30, 2011

Assets

Current Assets

| | |
|--|---------------|
| Cash and Cash Equivalents | \$ 639,963 |
| Current Portion of Receivables | 36,022 |
| Current Unconditional Promises to Give | 124,699 |
| Investments | 8,035,767 |
| Prepaid Insurance | <u>17,782</u> |

Total Current Assets 8,854,233

| | |
|---|------------------|
| Long-Term Unconditional Promises to Give, Net | 100,409 |
| Investments, Endowment | 13,940,863 |
| Long-Term of Receivables | 10,841 |
| Property and Equipment, Net | 4,434,500 |
| Donated Land | <u>2,507,506</u> |

Total Assets \$ 29,848,352

Liabilities and Net Assets

Current Liabilities

| | |
|---------------------|------------------|
| Accrued Liabilities | \$ 52,867 |
| Deferred Rent | 1,749,802 |
| Agency Funds | <u>1,755,149</u> |

Total Current Liabilities 3,557,818

Net Assets

| | |
|------------------------|-------------------|
| Unrestricted | 611,297 |
| Temporarily Restricted | 11,738,374 |
| Permanently Restricted | <u>13,940,863</u> |

Total Net Assets 26,290,534

Total Liabilities and Net Assets \$ 29,848,352

The accompanying notes are an integral part of these financial statements.

Southeastern Louisiana University Foundation
Statement of Activities
For The Year Ended June 30, 2011

| Revenue and Support | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|-------------------------------|-------------------------------|----------------------|
| Contributions | \$ 161,170 | \$ 143,786 | \$ - | \$ 304,956 |
| Scholarships, Assistantship and Awards Programs | - | 77,146 | 312,465 | 389,611 |
| Investment Income | 430 | 97,571 | - | 97,571 |
| Realized Gain on Investments | - | 507,949 | - | 508,379 |
| Unrealized Gain on Investments | - | 337,758 | - | 337,758 |
| Fundraising | - | 2,011,304 | - | 2,011,304 |
| Management Fee | 53,020 | 169,256 | - | 222,276 |
| Professorships | 83,622 | - | - | 83,622 |
| Livingston Center Rent | - | 56,275 | - | 56,275 |
| Net Assets Released From Restrictions | - | 92,095 | - | 92,095 |
| Satisfaction of Program Restrictions | 1,447,151 | (1,447,151) | - | - |
| Total Revenue and Support | 1,745,393 | 2,045,989 | 312,465 | 4,103,847 |
| Expenses | | | | |
| Restricted: | | | | |
| Scholarships, Assistantship and Awards | 66,620 | - | - | 66,620 |
| Departmental | 263,697 | - | - | 263,697 |
| Programs | 92,684 | - | - | 92,684 |
| Depreciation | 131,385 | - | - | 131,385 |
| Operating | 124,080 | - | - | 124,080 |
| Uncollectible Pledges | 246,962 | - | - | 246,962 |
| Endowment: | | | | |
| Scholarships, Assistantship and Awards | 331,239 | - | - | 331,239 |
| Investment Fees | 117,048 | - | - | 117,048 |
| Management Fees | 83,622 | - | - | 83,622 |
| Unrestricted: | | | | |
| Salaries and Wages | 90,814 | - | - | 90,814 |
| Payroll Taxes and Benefits | 1,151 | - | - | 1,151 |
| Professional Fees | 155,720 | - | - | 155,720 |
| Fundraising | 46,841 | - | - | 46,841 |
| Other Expense | 53,737 | - | - | 53,737 |
| Total Expense | 1,805,600 | - | - | 1,805,600 |
| Change in Net Assets | (60,207) | 2,045,989 | 312,465 | 2,298,247 |
| Net Assets, Beginning of Year, Restated | 671,504 | 9,692,385 | 13,628,398 | 23,992,287 |
| Net Assets, End of Year | \$ 611,297 | \$ 11,738,374 | \$ 13,940,863 | \$ 26,290,534 |

The accompanying notes are an integral part of these financial statements.

Southeastern Louisiana University Foundation
Statement of Cash Flows
For The Year Ended June 30, 2011

Cash Flows From Operating Activities

| | |
|---|------------------|
| Change in Net Assets | \$ 2,298,247 |
| Adjustments to Reconcile Changes in Net Assets to | |
| Net Cash Provided by Operating Activities: | |
| Depreciation | 131,385 |
| Decrease in Receivables | 344,977 |
| Increase in Prepaid Insurance | (407) |
| Increase in Accrued Liabilities | 28,385 |
| Decrease in Deferred Rent | (92,095) |
| Increase in Agency Funds | 201,065 |
| Total Cash From Operating Activities | <u>2,911,557</u> |

Cash Flows From Investing Activities

| | |
|---|--------------------|
| Purchase of Investments | <u>(4,539,479)</u> |
| Total Cash Used in Investing Activities | <u>(4,539,479)</u> |

| | |
|--|-------------------|
| Net Decrease in Cash and Cash Equivalents | (1,627,922) |
| Cash and Cash Equivalents, Beginning of Year | <u>2,267,885</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 639,963</u> |

The accompanying notes are an integral part of these financial statements.

Southeastern Louisiana University Foundation
Notes to Financial Statements

Note A - Nature of Activities

Nature of Organization

Southeastern Louisiana University Foundation (the "Foundation") was incorporated on April 17, 1963 under the provisions of Louisiana Revised Statutes 12:101-155 as Southeastern Development Foundation, Inc. a non-profit corporation. In June 2011, the name was changed to Southeastern Louisiana University Foundation. The Foundation was formed to promote and support, on all levels the Southeastern Louisiana University (SLU) programs, including the solicitation and acceptance of donations for the purpose of providing scholarships and other benefits for the university, its faculty, and its students.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Southeastern Louisiana University Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets are not subject to donor-imposed stipulations.
- Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation and/or the passage of time.
- Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Foundation. Permanently restricted net assets are primarily comprised of the original endowment gift given to the Foundation by donors. The donors of these assets permit the Foundation to use the income from these assets.

Revenue Recognition

Revenues are reported as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Southeastern Louisiana University Foundation
Notes to Financial Statements

Expenses are reported as decreases in unrestricted net assets. Gains or losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less, except for investments purchased with endowment assets, which are classified as long-term investments.

Promises to Give

Pursuant with the Foundation's policy, the Foundation records certain promises to give as revenue when the promise is made.

Conditional Promises to Give

Pursuant with the Foundation's policy, the Foundation does not recognize conditional promises to give as revenue until the condition is met or the pledges are received.

Donated Services and Materials

Significant portions of the Foundations's fundraising events are conducted by unpaid volunteers and some materials are donated to the Foundation's fundraising events by unpaid vendors. The value of these donated services and materials was not reasonably determinable; Therefore, no related donation or expense is recorded.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Real estate investments, which were received by gift, are carried at an independently appraised market value as of the date acquisition.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Southeastern Louisiana University Foundation
Notes to Financial Statements

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment donated to the Foundation are recorded at their fair market values at the date of donation. Depreciation is provided over the estimated useful lives of exhaustible assets on a straight-line basis over lives ranging from 5 to 40 years.

Agency Funds

Agency funds consist of assets held for others, primarily Southeastern Louisiana University.

Endowment Funds

The Foundation's endowment consists of numerous endowments established for the purpose providing scholarships and other benefits for the university, its faculty, and its students. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation.

Investment Return Objectives, Risk Parameters and Strategies

Return Objectives

Primary Investment Objective

Long-Term Growth of Capital - Emphasis is placed on growth of capital while controlling risk over the long-term. Short-term volatility will be tolerated, consistent with the Volatility of a comparable market index.

Secondary Investment Objective

Generation of Income - To ensure the ability to meet regular, expected current and future cash flow needs on a timely basis.

Southeastern Louisiana University Foundation
Notes to Financial Statements

Volatility of Returns

The Board of Directors understands that in order to achieve stated long-term investment objectives, the Fund will experience volatility of returns and fluctuations in market value. The Board of Directors supports an investment strategy that reduces the probability of losses greater than those stated below. However, it realizes that the Fund's return objective is its primary concern. There is, of course, no guarantee that the Fund will not sustain losses greater than those stated herein.

Risk Tolerance

In establishing the risk tolerance of the Fund, the ability to withstand short and intermediate-term volatility was considered. The Southeastern Foundation Fund's prospects for the future, current financial condition, and several other factors suggest collectively that interim fluctuations in market value and rates of return may be tolerated in order to achieve long-term objectives.

The risk tolerance can best be described as:

- Moderate (willing to accept some risk) - Willing to accept controlled risk in order to achieve an average to above average return on investments.

Spending Policy

The Investment Committee will set an annual spending target as a percentage of the total portfolio market value in order to provide for endowments and to cover operating expenses. The Board of Directors will attempt to balance the Fund's short-term, endowment-making obligations with its goal to provide funding into perpetuity, and therefore, design a spending policy that is flexible. Since expected investment returns from "riskier" portfolios are not consistent and predictable, the Board of Directors feels that short-term spending in terms of dollars must be flexible enough to endure periods of underperformance without excessive deterioration of real principle.

The Spending policy target has been established at 3.25% per year based on a 3 year moving average.

Performance Expectations

The performance goal will be established based on the Fund's expectations, needs and risk tolerance. Performance expectations should be reasonable over the long term but are not to be used as benchmarks for total fund performance on a year-in and year-out basis. Investment performance will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Over the investment time horizon, the return goals of the aggregate Fund have been established at:

- An absolute rate of return of 7.5%
- A relative return of the Consumer Price Index (CPI) plus 3.5%

Southeastern Louisiana University Foundation
Notes to Financial Statements

Income Taxes

Under provisions of the Internal Revenue Code, Section 501(c)(3), and the applicable income tax regulations of Louisiana, the Foundation is exempt from taxes on income other than unrelated business income. The foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi). Since the Foundation had no net unrelated business income during the year ended June 30, 2011, no provision for income tax was made.

Receivables

Receivables consist of an amount due from a related party, Southeastern Louisiana University Athletic Association in the amount \$33,821 and a note receivable in the amount of \$13,042. Management believes the amounts are collectible, and no provision has been made for uncollectible amounts.

Note B - Investments

Investment fees for the year ended June 30, 2011 are \$117,048. Investments are comprised of the following as of June 30, 2011:

| | <u>Fair Value</u> |
|--------------------------------|----------------------|
| Cash and Cash Equivalents | \$ 1,039,694 |
| Debt instruments | 6,076,981 |
| Equity Securities | 7,798,201 |
| Investment in Maurin Farm, LLC | 678,599 |
| Stocks | 6,377,242 |
| Minerals | 5,913 |
| | <u>\$ 21,976,630</u> |

Southeastern Louisiana University Foundation
Notes to Financial Statements

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to measure fair value should maximize the use of observable inputs and minimize the use of unobservable inputs.

| Assets at Fair Value as of June 30, 2011 | | | | |
|--|----------------------|-------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and Cash Equivalents | \$ 1,039,694 | \$ - | \$ - | \$ 1,039,694 |
| Debt Instruments | 6,076,981 | - | - | 6,076,981 |
| Equity Securities | 7,798,201 | - | - | 7,798,201 |
| Investment in Maurin Farm, LLC | - | 678,599 | - | 678,599 |
| Stocks | 6,377,242 | - | - | 6,377,242 |
| Minerals | 5,913 | - | - | 5,913 |
| Total Assets as Fair Value | <u>\$ 21,298,031</u> | <u>\$ 678,599</u> | <u>\$ -</u> | <u>\$ 21,976,630</u> |

The three levels of the fair value hierarchy are described below:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active
- Inputs other than quoted prices that are observable for the asset or liabilities (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates)
- Inputs that are derived principally from or corroborated by observable market data correlation or other means. (market-corroborated inputs)

If the asset or liability has a specified (contractual) term the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs are unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at the measurement date.

Southeastern Louisiana University Foundation
Notes to Financial Statements

Note C – Unconditional Promises to Give

Pledge Receivables at June 30, 2011 are as follows:

| | |
|--|--------------------------|
| Receivable in Less than One Year | \$ 124,699 |
| Receivable in One to Five Years | 107,371 |
| Total Pledged Receivables | <u>232,070</u> |
| Less Allowance for Uncollectible Pledges | (6,962) |
| Net Pledges Receivable at June 30, 2011 | <u><u>\$ 225,108</u></u> |

Management estimated the allowance for uncollectible pledges to be approximately 3 percent of total pledged receivables.

Note D – Net Assets

Temporarily restricted net assets at June 30, 2011, consisted of the following:

| | |
|--|----------------------------|
| Livingston Literacy Center Building and Furnishings, Net of Depreciation | \$ 4,434,500 |
| Land | 2,507,506 |
| Scholarships and University Program Support | <u>4,796,368</u> |
| | <u><u>\$11,738,374</u></u> |

Permanently restricted net assets at June 30, 2011, consisted of the following endowed gifts to be held in perpetuity with income to be used for:

| | |
|---|-----------------------------|
| Endowment Net Assets, Beginning of Year, Restated | \$ 13,628,398 |
| Contributions | 312,465 |
| Endowment Net Assets, End of Year | <u><u>\$ 13,940,863</u></u> |

Note E – Property and Equipment

A summary of property and equipment at June 30, 2011 follows:

| | |
|------------------------------|----------------------------|
| Land | \$ 2,507,506 |
| Buildings | 5,205,031 |
| Furniture | <u>123,559</u> |
| Total Property and Equipment | 7,836,096 |
| Accumulated Depreciation | <u>(894,090)</u> |
| Net Property and Equipment | <u><u>\$ 6,942,006</u></u> |

For the year ended June 30, 2011, depreciation expense was \$131,385.

Southeastern Louisiana University Foundation
Notes to Financial Statements

Note F – Related Party Transactions

During the fiscal year ended June 30, 2011, the Foundation occupied office space in a building owned by Southeastern Louisiana University Alumni Association, Inc. Under the terms of the lease agreement for the land housing the facilities between the Board of Trustees for State Colleges and Universities (Landlord), and the Southeastern Louisiana University Alumni Association, Inc. (Tenant), the Landlord assumed responsibility for repair, maintenance, taxes, and insurance coverage for the facility, and the Tenant agreed to sublease approximately 3,000 square feet of office space to Southeastern Louisiana University including the space housing the Southeastern Louisiana University Foundation.

In accordance with Louisiana Revised Statutes LSA-RS 17:3390, the Foundation is of the opinion that all expenditures and in-kind services, except unrestricted funds used for administration, benefit the University. These amounts greatly exceed the cost of housing, personnel, and other support furnished to the Foundation by the University. The value of the facilities used by the Foundation was not reasonably determinable; therefore, no related donation or expense is recorded.

Note G – Contingencies

On February 5, 1998, the Foundation entered into an investment agreement with Southeastern Louisiana University (SLU). Under the terms of this agreement, the foundation, acting as an agent for SLU, holds funds for an endowed professorship and an endowed chair and provides investment review and management of these funds. The agreement also stipulates that if the principal amount as of June 30th of each year falls below the endowment base, the Foundation must use other revenues to restore the principal amount to the endowment base. As of June 30, 2011, the endowment base is \$1,100,000 and the fair value of the investment is \$1,755,149 causing a \$655,149 surplus.

Note H – Concentrations of Credit Risk Arising From Cash Deposits

The Foundation maintains deposits at several financial institutions. At June 30, 2011, the Foundation had \$712,362 in deposits (collected bank balances). The deposits were collectively secured from risk by \$371,983 of federal deposit insurance. The balance of \$340,379 was uninsured and uncollateralized. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Note I - Deferred Rents

On June 18, 2002, the Foundation entered into a cooperative endeavor agreement with the Livingston Parish School Board and the Livingston Educational Public Benefit Corporation to rent the Livingston Parish Literacy Center for a term of twenty-five years as an education facility. The lease payments included \$1000,000 paid in 2006 with five annual payments of \$260,474.50 for a total of \$2,302,372.50. The lease term is 25 years. Rental payments commenced upon substantial completion of the facility constructed under court order. At June 30, 2011, \$92,095 was recognized as income for the year with a balance of \$1,749,802 recorded as deferred rent.

Southeastern Louisiana University Foundation
Notes to Financial Statements

Note J - Litigation

The Foundation is involved in a lawsuit that was fully tried in August and October 2011. In the opinion of the Foundation's management, the potential loss on the lawsuit will not be material to the Foundation's basic financial statements.

Note K - Prior Period Adjustment

Certain errors resulting in an overstatement of Permanently Restricted Net Assets were discovered in the current year. Accordingly, an adjustment of \$177,277 was made to write down Permanently Restricted Net Assets as of the beginning of the year. A corresponding entry was made to increase Temporarily Restricted Net Assets as of the beginning of the year.

| | Temporarily Restricted | Permanently Restricted | Total |
|--------------------------------------|---------------------------|---------------------------|----------------------|
| Net Assets at June 30, 2010 | \$ 9,515,108 | \$ 13,805,675 | \$ 23,320,783 |
| Prior Period Adjustment | 177,277 | (177,277) | - |
| Net Assets at June 30, 2010 Restated | <u>\$ 9,692,385</u> | <u>\$ 13,628,398</u> | <u>\$ 23,320,783</u> |

Note L - Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 28, 2011, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Other Independent Auditor's Reports

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MEMBER
Society of Louisiana
Certified Public
Accountants

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Directors
Southeastern Louisiana University Foundation
Hammond, Louisiana

I have audited the financial statements of Southeastern Louisiana University Foundation (a non-profit corporation), "the Foundation", as of and for the year ended June 30, 2011, and have issued my report thereon dated December 28, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Foundation's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of current year findings, recommendations and responses, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of current year findings, recommendations and responses to be material weaknesses, 2011-1 and 2011-2.

Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundations's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, and the Louisiana Legislative Auditor. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation

December 28, 2011

Southeastern Louisiana University Foundation

Schedule of Current Year Findings, Recommendations, and Responses For the Year Ended June 30, 2011

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness, Yes Significant Deficiencies, No

Compliance Material to Financial Statements, No

b. Federal Awards, No

Was management letter issued? No

Section II Financial Statement Findings

Internal Control

2011-1 Closing procedures were not performed in a timely manner

Condition:

In December 2011, the Foundation's financial statements contained the following errors:

- The trial balance was not in balance
- Pledged receivables were not accurately recorded
- Journal entries made during the year were not properly posted to the general ledger
- Interfund receivables, payables, and transfers were not in balance
- Accrued liabilities were not recorded

Criteria:

The accounting records must be maintained in such a manner as to provide evidence of legal compliance and the preparation of annual financial statements.

Cause:

There were numerous journal entries that were not properly posted to the general ledger that caused the trial balance to be out of balance. Procedures are not in place to ensure accurate recording of receivables, payables and interfund receivables, payables and transfers.

Effect:

Financial statements were not available on a monthly basis for review by management or the governing board. Financial statements were not made available to the auditor until December 2011. Financial statements contained material misstatements.

Recommendation:

The Foundation should design and implement internal controls to ensure that financial statements are closed by a reasonable time the following month. The month end closing should include reconciling the bank accounts, and

Southeastern Louisiana University Foundation

Schedule of Current Year Findings, Recommendations, and Responses For the Year Ended June 30, 2011

investment accounts to the general ledger, recording receivables and payables and balancing interfund receivables and payables. Additional procedures include allocating investment income, expenses, realized gains and losses and unrealized gains and losses to each donor's endowment account.

Management's Response:

Corrective Action Planned:

The management of the Southeastern Development Foundation agrees with the recommendations contained in your report. Effective immediately the following actions have been taken:

- On or before the 15th day in each month the Chief Financial Officer of the Foundation will close the accounting records of the Foundation. As part of the monthly closing procedures the following will be performed:
- All bank accounts will be reconciled to the bank statement and forwarded to the Executive Director for review and approval.
- The accounts receivable and pledges receivable control accounts on the general ledger will be reconciled to the corresponding subsidiary ledger in the donor gift history system.
- Donation income on the general ledger will be reconciled to the donor gift history system.
- All investment accounts will be reconciled to the monthly investment report provided by the money managers with appropriate general ledger journal entries made to record investment income, investment expenses, realized gains and loss and unrealized gains and losses allocated by endowment account.
- All vendor bills will be entered and the accounts payable control account in the general ledger will be reconciled to the corresponding accounts payable subsidiary ledger.
- All other significant asset and liability accounts will be updated accordingly.

On or before the 20th day in each month the Chief Financial Officer of the Foundation will prepare reports to management and the board of directors on the financial operations of the to include the following:

- Balance sheet on all funds to be distributed to the executive director for review and disposition.
- Operating statement on all funds to be distributed to the executive director for review and disposition.
- Budget report on the unrestricted fund to be distributed to the executive director for review and disposition.
- Monthly investment report on all investment accounts and certificates of deposit to be distributed to the executive director for review and disposition.
- All monthly reports are to be review monthly with the executive director and development staff no later than the 20th day in each month and approved by the executive director for filing in the permanent files of the Foundation.
- Most recent monthly report to be reviewed by the Chief Financial Officer with the executive committee prior to each board meeting and approved for presentation at the board meeting.
- Most recent monthly report approved by the executive committee presented to and approved by the board of directors at each quarterly meeting by the Chief Executive Officer.

Southeastern Louisiana University Foundation

**Schedule of Current Year Findings, Recommendations, and Responses
For the Year Ended June 30, 2011**

Name of Contact Person:

Michelle S. Speaser, CPA, Chief Financial Officer

Anticipated Completion Date:

December 31, 2011

2011-2 Identification of Material Misstatement

Condition:

I identified material misstatements in the financial statements for the period under audit that were not initially identified by the entity's internal control.

Criteria:

Internal controls are not in place to ensure that a material misstatement of the entity's financial statements will be prevented, or detected and corrected on a timely basis.

Cause:

During the year the financial statements were not closed and reviewed on a timely basis.

Effect:

Invoices were coded to the wrong general ledger accounts. Interfund receivables, payables and transfers were materially misstated.

Recommendation:

As part of the month end closing, I recommend the accountant review the general ledger to determine that expenditures are properly coded.

Management's Response:

Corrective Action Planned:

The management of the Southeastern Development Foundation agrees with the recommendations contained in your report. Management believes that implementation of the monthly accounting closing procedures and the preparation and supervisory review of the monthly financial statements referred to in item 2011-1 above will significantly eliminate the possibility that a material misstatement to the financial statements could occur and not be detected and corrected in a timely manner by management. Furthermore, on or before August 31st of each year, the Chief Financial Officer will close the accounting records of the Foundation for the previous fiscal year and review the results with the Executive Director and other members of management in advance of the audit to determine if all significant transactions have been accounted for.

Name of Contact Person:

Southeastern Louisiana University Foundation

**Schedule of Current Year Findings, Recommendations, and Responses
For the Year Ended June 30, 2011**

Michelle S. Speaser, CPA, Chief Financial Officer

Anticipated Completion Date:

December 31, 2011